



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION


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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst 

DATE: June 3, 2015

SUBJECT: IN THE MATTER OF THE APPLICATION OF CROWN CASTLE OPERATING COMPANY AND SUNESYS, LLC FOR APPROVAL OF THE TRANSFER OF INDIRECT CONTROL OF SUNESYS, LLC TO CROWN CASTLE OPERATING COMPANY AND FOR SUNESYS, LLC TO PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS.
(FILED MAY 28, 2015) - DOCKET- NO. 15-1007

Application

On May 28, 2015, Crown Castle Operating Company ("CCOC") and Sunesys, LLC ("Sunesys") (together, the "Applicants") filed an application with the Delaware Public Service Commission ("PSC" or "Commission") seeking approval for (1) the transfer of indirect control of Sunesys to CCOC (the "Sunesys Transaction") and certain post-closing transactions and (2) for Sunesys to participate in a financing arrangement in an aggregate amount of up to \$6.25 billion.

Applicants

Crown Castle Operating Company

CCOC is a Delaware Corporation and direct wholly owned subsidiary of Crown Castle International Corp. ("CCIC"). (CCIC and its subsidiaries, are collectively referred to as "Crown Castle") Crown Castle has executive offices at 1220 Augusta Drive, Suite 600, Houston, Texas

77057-2261. In Delaware, Crown Castle Solutions Corp. (“Solutions”) has two wholly owned subsidiaries that are authorized to provide intrastate telecommunications services (collectively, the “DE-OpCos”): Crown Castle NG East LLC (“CCNG-East”) which was granted a Certificate of Public Convenience and Necessity (“CPCN”) to provide local exchange and competitive intrastate telecommunications services in Delaware pursuant to Order No. 7187 issued in PSC Docket No. 07-42 and Chesapeake Fiber, LLC (Chesapeake”), which was granted a CPCN to provide non-switched competitive local exchange telecommunications services pursuant to Order Nos. 8190 and 8312 issued in PSC Docket No. 12-178 and 13-86. CCNG-East is also authorized by the Federal Communications Commission to provide domestic interstate telecommunications services as a competitive carrier.

Sunesys, LLC

Sunesys is a Delaware limited liability company with its principal office located at 185 Titus Avenue, Warrington, Pennsylvania 19876. Sunesys is an indirect, wholly owned subsidiary of Quanta Fiber Networks, Inc. (“QFN”), a Delaware corporation and wholly owned direct subsidiary of Quanta Services, Inc. (“Seller”). Sunesys was granted a CPCN to provide competitive local exchange and competitive intrastate telecommunications services in Delaware pursuant to Order No. 6008 issued in PSC Docket No. 02-175, as amended in PSC Docket No. 06-328. Sunesys is also authorized by the Federal Communications Commission to provide interstate telecommunications services as a competitive carrier.

Transaction

CC SCN Fiber LLC (“Purchaser”), a Delaware limited liability company, is a direct wholly owned subsidiary of CCOC created for the purpose of this transaction and CCIC entered into a stock purchase agreement (the “Agreement”) on April 29, 2015 for Purchaser to acquire all of the issued and outstanding stock of QFN from Seller. Under the Agreement, the proposed transaction will be accomplished by either (1) the merger of QFN and the Purchaser. As a result, the Purchaser will be the surviving entity, or (2) the merger of Purchaser into QFN and QFN will be the surviving entity. Further, certain assets of Sunesys are expected to be assigned to a newly formed subsidiary of Sunesys (“New Sub”). New Sub will lease certain assets to and perform certain non-telecommunications functions for Sunesys. Furthermore, CCOC seeks approval for the post-closing intracompany transaction including the proposed transfer of assets from Sunesys to New Sub along with the Sunesys Transaction. The current, post-closing and post-intracompany transactions entity ownership structure of the Applicants are provided.

Financing Arrangement

CCOC is seeking approval for Sunesys, to participate in amended or future financing arrangement in an aggregate amount of up to \$6.25 billion, in the form of notes or debentures, conventional credit facilities, such as revolving credit facilities and term loans, letters of credit and bridge loans or a combination of all of these. The Applicants request approval for Sunesys to be a borrower under amended or future financing arrangements up to the aggregate amount. The Applicants further request approval of the financing with a maturity of up to ten years after issuance or amendment depending on the type of facility; request approval of the financing arrangement at the interest rate(s) at the then current market conditions; and state that CCNG-East and certain other material subsidiaries of CCOC are guarantors for the existing financings and request authority for Sunesys to pledge its equality as addition security and to participate as a guarantor or co-guarantor in financing arrangements up to the aggregate amount. The financing arrangements will be used for acquisitions, refinancing existing debt, working capital requirements and general purposes of CCOC and its subsidiaries.

Public Interest

The Applicants assert that the public interest will be served and that the transaction is in accordance with the law and is for a proper purpose. According to the Applicants, the proposed Transaction will serve the public interest by promoting competition among telecommunication carriers by providing Sunesys with the opportunity to strengthen its competitive position through the additional experience, perspectives, and resources of CCOC. Further, the Transaction will have no adverse impact on the customers of Sunesys and the Transaction will be transparent to customers.

According to the Applicants, the proposed Financing arrangement will serve the public interest by providing competition among telecommunications carriers by providing Crown Castle with access to greater financial resources that will allow Solutions' subsidiaries and Sunesys to compete more effectively with larger incumbent telecommunications providers.

In addition, the Applicants have shown that the Transaction and the Financing are for a proper purpose and is seeking the approvals for the regulatory authorities which are necessary for the Transaction and the Financing to demonstrate that it is in accordance with the law.

Staff Recommendation

Applications seeking approval of transfer of control and financing by large multi-state competitive intrastate telecommunications providers technically come under the provisions of 26

Del. C. §215 because the companies are deemed to be public utilities. The Applicants have represented that the proposed transaction is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 Del. C. §215(d), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicants that the proposed transaction and financing arrangements have been completed.